

98-84392-7

Butler, Benjamin Franklin

Address of Benj. F. Butler,
at the request of the...

[S.I.]

[1875]

98-84392-7

MASTER NEGATIVE #

COLUMBIA UNIVERSITY LIBRARIES
PRESERVATION DIVISION

BIBLIOGRAPHIC MICROFORM TARGET

ORIGINAL MATERIAL AS FILMED - EXISTING BIBLIOGRAPHIC RECORD

OCLC: 38449669 Rec stat: c
 Entered: 19980217 Replaced: 19980217 Used: 19980217
 ▶ Type: a ELvl: K Srce: d Audn: Ctrl: Lang: eng
 BLvl: m Form: a Conf: 0 Biog: MRec: Ctry: nyu
 Cont: GPub: Fict: 0 Indx: 0
 Desc: a Ills: Fest: 0 DtSt: s Dates: 1875, 1
 ▶ 1 040 PR1 #c PR1 1
 ▶ 2 007 h #b d #d a #e f #f a--- #g b #h a #i c #j p 1
 ▶ 3 007 h #b d #d a #e f #f a--- #g b #h a #i a #j p 1
 ▶ 4 007 h #b d #d a #e f #f a--- #g b #h a #i b #j p 1
 ▶ 5 090 #b 1
 ▶ 6 049 PR1A 1
 ▶ 7 100 1 Butler, Benjamin F. #q (Benjamin Franklin), #d 1818-1893. 1
 ▶ 8 245 10 Address of Benj. F. Butler, at the request of the Board of
 Trade, of New York, Oct. 14, 1875 #h [microform] : #b necessity for a non-
 exportable currency, of a fixed and unchangeable value. 1
 ▶ 9 260 [S.l. : #b s.n., #c 1875] 1
 ▶ 10 300 28 p. ; #c 25 cm. 1

RESTRICTIONS ON USE: Reproductions may not be made without permission from Columbia University Libraries.

TECHNICAL MICROFORM DATA

FILM SIZE: 35 mm

REDUCTION RATIO: 10:1

IMAGE PLACEMENT: IA (IIA) IB IIB

DATE FILMED: 4/6/98

INITIALS: F.C.

TRACKING #: 31762

FILMED BY PRESERVATION RESOURCES, BETHLEHEM, PA.

BIBLIOGRAPHIC IRREGULARITIES

MAIN ENTRY: Butler, Benjamin Franklin

**Address of Benj. F. Butler, at the request of the Board
of Trade, of New York, Oct. 14, 1875**

Bibliographic Irregularities in the Original Document:

List all volumes and pages affected; include name of institution if filming borrowed text.

☒ Page(s) missing/not available: front cover

_____ Volume(s) missing/not available:_____

Illegible and/or damaged page(s): _____

Page(s) or volume(s) misnumbered: _____

Bound out of sequence: _____

Page(s) or volume(s) filmed from copy borrowed from: _____

Other: _____

Inserted material: _____

TRACKING#: MSH31762

332.4
v. 7 W. 10

ADDRESS OF
BENJ. F. BUTLER,
AT THE REQUEST OF THE
BOARD OF TRADE,
OF NEW YORK, OCT. 14, 1875.

Necessity for a Non-Exportable Cur-
rency, of a Fixed and Unchange-
able Value.

*Then certain philosophers of the Epicureans, and of the Stoicks, encountered him (Paul.) And some said, What will this babbler say? other some he appears to be a setter forth of strange gods: * * * * * And they took him, and brought him unto Areopagus, saying, May we know what this new doctrine, whereof thou speakest is? For thou bringest certain strange things to our ears; we would know therefore what these things mean.—ACTS OF THE APOSTLES, Chap. xviii., v. 18, 19, 20.*

GENTLEMEN: The subject of the evening's discussion is FINANCE. Not in the earlier and narrower signification of the word, the revenues or resources of the government itself, but in the broader and wider interpretation which it has more lately obtained, the duty of the government to provide the people a stable and uniform medium of exchange between its own citizens and a standard of value by which all value shall be measured, and accessible to all requiring its use at the least possible cost. The theme is too broad and large for the discussion of an evening unless we deal with generalities only, and reduce it to the consideration of a few simple principles.

It will be admitted that it is the duty of the government to provide a uniform currency. What is that? A standard of value to which all transactions of trade and commerce may be referred, a medium for the payment of all the minor dealings of the people with each other, for the currency of a country in its actual use in payments is the money of retail only, while the wholesale business has for its currency the checkbook, the bill of exchange, draft, promissory note, books and ledger of the banker and merchant.

It seems to me incorrect to say that the volume of currency has any effect as a measure of value. The use of currency in this regard is

that its unit should be a fixed fact by which the values of all transactions may be measured. As the barleycorn, the unit of English measure of length, is the standard by which all distances are measured, so should the unit of the currency be the standard of all values. The latter should be as fixed and unalterable as the former. Now, who would not laugh to be told that the distance from Boston to New York was increased or diminished, according to the plenty or scarcity of a crop of barleycorns. Yet grave bankers and financiers will tell you that the values of the whole property of the nation of many billions is inflated on adding a few millions of currency, each unit of which is of precisely the same value as that of the currency to which it is added. No one will pretend that any amount like \$46,000,000, small in comparison with the whole amount of the property of the United States, added to the whole property, would derange values. Why then should it be claimed that the addition of that amount in currency would do so? Does, in fact, the increase of the volume of currency cause the rise of prices and derange values? Suppose we had a gold and silver currency only, would the addition of \$46,000,000 (take that amount because it is known in our system of finance as the currency reserve, and the subject of much theorization on this topic) to the gold in the country, produce great rises in prices and derange all values? Everybody must agree that it would not do so. Indeed we tried that experiment when gold was discovered in 1846-1847 in California, for we added that amount to our gold in a single year without any marked effect. Yet I admit it to be true that the addition of that amount in currency by the banks when they issued the currency as State banks, or even now, would have that tendency. Why it should do so we will consider further on. I agree most thoroughly with the bullionists that it is necessary to the stable prosperity of the country that the value of the unit of currency, the dollar, should be as fixed and unchangeable as is the unit of measure or the unit of weight, which unit of weight was indeed once the unit of the value of her currency, before the kings of England debased it. Twenty-four grains make one pennyweight, twenty pennyweights one ounce, twelve ounces one pound, originally meant, twenty-four grains of silver make one penny silver, twelve ounces of silver make one pound of silver. Values and weights went together as measures and were equally unchangeable.

The necessity for the fixedness and stability of the unit of value was so important that the control of it was claimed as the highest prerogative of power exercised by Kings and Despots of all civilized and semi-civilized nations. Each and all have sought to find some unit of ascertained value which should be unchangeable, at least for so long a period as contracts for the exchange of human labor, skill, production and property between its citizens should run, so that each contract may be liquidated in currency of the same value in reference to which it was made. If the standards under which values are demanded by contracts, are changed during their existence, it must always be unjust to one or the other of the contracting parties. If raised, to the debtor, if lowered, to the creditor party to such a contract a wrong and injustice is done.

The unit of value—the currency—should be uniform for the convenience and protection only of the community that makes their bargains in reference to it, and as each nation of the world has a different

standard of value, when contracts are made between subjects of different nations, the Government of each has no duty, and is called upon to perform none, in reference to a currency for such contracts, and as no Government can have any control over the standard of value of another, the contracting parties, when citizens of different nations, may be well left to make their contracts according to a standard of value to which they can mutually agree.

Exchange of products between the subjects of different nations must always partake more of the nature of barter than of bargain and sale, in reference to a fixed standard of value or currency, as the money of one nation is never the money of another. For an illustration: if an American obtains iron in England, he must barter so much of the product of his own country, say gold of California of a given purity, for the iron of England of a given purity. He cannot make his purchases according to the coined gold of America with one-tenth of alloy against the coined gold of England with one-twelfth only of alloy. Therefore, we know, in practice, that the coined gold of America, if sent to England, instantly goes into the melting-pot at the mint, and the coined sovereign of England, when it comes here, goes directly to our mint to reappear at the value of our coin, so that I take it to be axiomatic, at least until a uniform currency at an equal standard of value is established for all nations of the world, that there is no obligation upon, or necessity for, our Government to fix its currency so that it shall be a standard of value to measure the transactions of its own citizens with those of any other nations of the earth.

I am not unaware that it was lately thought to be an exhibition of financial skill on the part of our Treasury to coin a trade dollar at our mint and at our expense, out of our silver, for the use of the Chinese, and I have seen much trumpeting in the newspapers of the great success of that performance in the large amount of silver dollars sent to China, whence they never return, in consequence of our financial skill in making a dollar, not for our own use, but for the use of the Chinese, which they would take because it contained a few more grains of silver than any other dollar in the world. And having thus, by this ingenious device, depleted our country of silver for the benefit of the Chinese, Congress has required the Secretary of the Treasury by law to sell our bonds of five per cent. interest to replace sufficient of the silver that we have thus rid ourselves of, to be issued as a substitute for our fractional currency, amounting to quite forty millions. Thus we are to pay annually, for thirty years at least, the time the bonds have to run, two millions of dollars interest, raised by taxes, to supply ourselves with silver in the shape of small coins which nobody desires to use, in place of our fractional currency, the most convenient medium of exchange for petty transactions ever known, and the least expensive, as the whole cost of furnishing it is not equal to the loss by wear and abrasion of silver coin, and the destruction of the paper is of no loss but a gain to the Government. I submit to all having concern in the coining of the trade dollar thus to send our silver to China, and in selling our bonds at interest to buy the silver back again to make an inconvenient substitute for a good currency, that these two schemes taken together are the very ingenuity of blundering in finance.

“Coined gold and silver has ever been the handmaid of despotism; the prop of monarchical power; the supporter of thrones; the upholder

of nobilities and priesthoods; the engine by which the privileges and pretensions of aristocrats have always been sustained in trampling down the rights, devouring the substance, and absorbing the unrequited labors of the masses." Through all time the possession of coined money has given power to the few to enslave the labor of the many for the benefit of princes and nobles, and its use has been the badge of servitude of all peoples to some king or tyrant. To deny this at one time was treason.

Hitherto, every civilized nation has sought to establish a currency for its own citizens, and for them only, and the great problem has been, of what material. It is a curious fact that at some time in its existence every nation has had a different material as a standard of value, or legal tender, which are, or ought to be convertible terms.

The ancient Greeks took the ox; the Spartan and African iron; the Roman, first the sheep, then brass, then copper; the Arabian the horse and the camel; and the Indian the elephant and shells. Indeed, each nation took for its standard of value that which it prized the most. In later times, gold and silver, being the most scarce of the metals and most difficult of production, therefore presenting a form of wealth most easily accumulated and garnered in the coffers of the Rulers or kings than any other, were by them adopted as the material for their standard of value, which value they claimed and have always exercised, as between themselves and their subjects, as their greatest prerogative to fix, by an impress of their image or superscription thereon. It will be observed that at first gold or silver was a standard of value only and not a currency except with the nobles, and later among merchants. As all the world was governed by Kings and Despots, gold and silver thus became representatives of power as well as wealth, and therefore of all articles the most desirable, as by them all other property could be measured by the respective rulers of all countries, and so when coined they became the money of the world because a great amount of value could be carried in the smallest compass; and as the means of transportation from nation to nation in transactions of commerce, were so limited, and carriage was so difficult its great value made it a controlling convenience. These were the reasons for its adoption by merchants of the earlier and ruder times, not as money but by weight. Abraham weighed four hundred shekels of silver "current with the merchant," to Ephron for the burial place of Machpelah. Nor was gold and silver "current with the merchant" because they were of the same, or relatively of equal value among all nations, for as lately as 1857 our Consul at Simoda informed his Government that gold is only as one to three and a half in silver, while with us it holds by law, as a part of our specie standard, the rate of about sixteen to one; i. e., in Japan three and a half ounces of silver would purchase an ounce of gold, while in America it took sixteen of silver to purchase an ounce of gold. How, then, can it be said that gold is the standard of value of the world when in one country which absorbs large amounts of our specie it stood depreciated in comparison with silver at our standard at nearly eighty per cent., and it is not the sole standard of value in either of the great commercial countries save England and Germany since she received her billion of gold from France.

That in years the value of silver changed greatly in comparison with other products and services can easily be illustrated. The good Samaritan,

you will remember, when he left the wounded man at the tavern, left a penny for his keep for days, with the promise that when he returned if his protégé had spent any more he would pay the difference. If any one doubts that silver has decreased in value since then, let him offer to leave his wounded friend at the Fifth Avenue or Windsor, and deposit a penny for his keep.

When the chief priests would fain have taken hold of the words of our Lord, "that so they might deliver him into the power and authority of the governor," they asked, "Is it lawful for us to give tribute unto Cæsar, or no?" But he perceived their craftiness and said, "Why tempt ye me. Show me a penny. Whose image and superscription hath it?" They answered, "Cæsar's." And he said unto them, "Render, therefore, unto Cæsar the things that are Cæsar's, and unto God the things that are God's." And they marveled at his answer.

Our patriot fathers, founding a Government for themselves on this continent, carefully eliminated from its framework every attribute of monarchy and aristocracy, the divine right of kings, patents of nobility, the succession of primogeniture, the law of entail, the fealty of one man to another—every of the devices of kingcraft and oppression with which the people are governed by a class—all, save one; they retained whether for good or evil, the precious metals stamped with the king's image as the standard by which to measure the property and industry of the new Republic. "It was a grievous fault," and grievously have their children answered it. Great, wise, and good men, we marvel that they saw so much; "but they saw not all things."

Because of their engraving upon our institutions this one element of kingly power, we their descendants and our business and our property, nay, almost our existence as a nation, have been placed at the mercy of the monied powers of the earth.

In '76 we could not achieve our independence until we emancipated ourselves from the money of kings. In 1861 we could not save the life of the nation from rebellion, until we threw overboard the money of the bankers, now the money kings of the world, and established a currency for ourselves to measure values for our people, and put gold and silver where they belong, as part of the production of our industries.

Just here let me answer one or two arguments to the prejudice which the advocates of gold and silver have put forward whenever any substitute for gold and silver is mentioned, "would you go back to Continental money; didn't we suffer enough by that?" I answer, I would not go back to it; no more than I would have our country go back to its condition in the Revolution.

Let me retort upon this: Without the issuing of the Continental money, adopted and sustained by the patriotism of our people against the capitalists of that day, as we adopted, at the same time, the green sage of our mountains for tea instead of the fragrant herb of China against the merchants of that day, what bullionist will say that our independence could have been secured? Were the sufferings of our fathers from Continental money as great as the sufferings of the Revolutionary soldiers as they marched with naked bleeding feet tracking the frozen clods on the banks of the Delaware with blood when they captured at Trenton the Hessians, hired by the gold of King George?

It is easy to understand what determined the patriot fathers in the adoption of gold and silver, the very props of thrones as their standard of value, while they discard every other element of monarchical power.

The continental money had wanted everything which could give it value. Issued by an aggregation, or conglomeration rather, of States just struggling for existence, trying an experiment of government in a new world which many of their best people more than doubted would be a failure, and end in anarchy; without checks and guards against overissues, coarsely engraved, easy of forgery, degraded by counterfeits by their enemies so that it was difficult to distinguish the genuine from the false, the only wonder is that such a currency was ever capable of the good service it did do in the war of independence.

Establishing a frame of government and a standard of value for an infant country without commerce or article of export, save almost only that which was drawn from the sea, without manufactures, with every necessary, not to say luxury, of life to buy from abroad, save what came from the soil, the founders of the Republic might well have been tempted to bring themselves into connection with the great family of nations by adopting as their money the precious metals by which all the commercial intercourse of the nations of the earth was then carried on, and to bear with such endurance as they might, the loss, disaster, and ruin which the adoption of such standard of value at once entailed upon the country, for it is worthy of observation that its hardship was so great as to produce a serious rebellion and outbreak against the law (Shay's Rebellion in Massachusetts) in what was then as now the most cultivated, intelligent, and law-abiding portion of the country.

But the bullionists will ask "Why then did they not change their standard of value seeing the evils attending the inauguration of their money system?" This need not be a subject of wonder. They were probably deterred from so doing because of a fact in the financial history of a nation with which they were in alliance, which is now held up by the bullionists as a conclusive argument in favor of a specie standard, with very much less cause, and with very much less weight now, than it might well have had then, when our fathers had in present contemplation the use, in Revolutionary France, of the *assignats* and *mandats* as a substitute for gold and silver—a currency which almost at once became valueless, although nominally based upon what is reckoned among men the most desirable of possessions, the lands of the nation.

Contemporaries can never weigh and determine, with such precision as those who come after them may do, the causes and effects of governmental action. They might not then see as we now see that there were two causes which made the *assignats* and *mandats* of the French revolution inevitably valueless. Both these forms of security were the evidence to the holder of a right to buy or locate upon a portion of the confiscated lands of the nobles and priests of France, called by the revolutionary government the national domain.

Now the value of land to him who claims the ownership is composed of two essential elements; productiveness and title. Without title the productive value of land is of little worth to the claimant, and the assurance of title was exactly what the *assignat* did not make to the holder.

Beside the *assignat* was what we know as a land warrant and not currency at all, although used as such. As well might it be said that a part of our currency is now worth only fifty cents on the dollar because our land warrants are selling in the market at half the Government price of land per acre.

Beside, looking back upon that time as we do, it is difficult to see why the French paper money was not then as valuable as any other human possession in France, whether gold, silver, land, limb or life; neither was worth an hour's purchase. The legislator of to-day was the criminal of to-morrow; the judge of to-day was the culprit of to-morrow; the knife of the guillotine, like the rain of heaven, fell alike on the just and the unjust. He who at one moment held the *assignat* claiming title to the confiscated estates, at the next had his own estates confiscated, with the *assignat* which he held.

Candidly and justly considered, can it be said that a fair argument ought to be drawn to maintain that all substitutes for gold and silver as money must be worthless because the paper money of France was valueless when and where nothing, even human life, was valuable? In view of these facts, whoever pretending to a philosophical discussion of finance, shall assert, after a careful examination of them, that the monetary condition of France at the time of the first revolution is either an example or warning to any other nation because of the want of value of its *assignats*, will, upon like examination, determine himself to be an *assinego*.

In 1861 when the war of the rebellion had scarcely begun, when the people of the country inspired by patriotism only, were coming forward without the offer of any bounties to join our armies in such numbers that the Chairman of the Committee of Military Affairs in the Senate recommended that recruiting should be stopped lest we should have too many men; when the Government, to successfully carry on the war, needed only money to pay the troops and purchase supplies, when our money was promissory notes of banks based upon gold and silver which they promised to pay on demand, and which were claimed to be instantly convertible into gold, when we had that system of "hard money" which is now, by legislative enactment sought to be again forced upon the country, when we had that "honest money" which is held by the bullionists to be the most desirable; at that moment all the banks suspended payment, thus acknowledging themselves insolvent, refused to loan any money to the Government, although tempted by the then enormous interest of seven and three-tenths per cent., and the "hard money" and "honest money," all became irredeemable and inconvertible promises to pay of broken banks which hoarded their gold in their vaults or invested it abroad in Sterling Exchange.

Both the people and the Government in their hour of direst need were thus left to their own financial resources to carry on the war and save the nation's life without aid from the bankers or their "honest" (?) money.

This was the first result of a financial system which is now clamored for as "specie payments" and "honest money," but which failed like a broken reed at the moment when it could be of use to the country. The banker's money became utterly useless, too, before a single important battle of the war, save the first Bull Run, had been fought.

Thus deserted and betrayed by capital, the Government, as its only resource for self preservation threw overboard the money of the world, by the act of February 25, 1862, and issued its own legal tender notes, as money with which to pay its soldiers for their lives, purchase its supplies, and conduct the war. These notes were not subscribed for by the banks although they were convertible at pleasure into six per cent. gold, interest-bearing bonds, but gladly accepted by the people without a murmur as money, for the ordinary transactions of life.

From that hour, during the whole war and until long after the strength, power, credit and stability of the United States was assured by Lee's surrender at Appomattox, *not a single dollar of gold or silver was subscribed or paid by any banker or capitalist in America or Europe for a bond of the United States.* When this "Honest Money" delusion and snare broke down by the suspension of the banks, in what condition did it leave the business of the country? How was it in 1861-62? I am speaking before the Board of Trade of New York. I call you to witness; was not all business prostrate; were there not hundreds of stores and warehouses for rent and unoccupied? Had not all property here sunk twenty-five or thirty per cent. in value? Sailors idling at the wharves; ships without freights; workshops and manufacturing closed, and the largest export commerce, the sending abroad the cotton with which our mills were stocked to be worked up in Europe while our workmen were idle. Individual and public credit at an end, and the Rebel newspapers triumphantly predicting that the "grass should grow in Broadway."

Is this an overdrawn or colored picture of the then financial and business condition of the country? But your bullionist cries out, "these are the legitimate effects upon credit and business of the terrible war then raging."

Not so! Not so! They were the direct and natural consequences of a system of finances fraudulently based on supposed specie into which it was promised this "honest money" should be converted on demand, although everybody knew when this useless promise was made, that there was and never could be but a dollar in specie to pay five which the banks promised to pay when they lent out their "rag money" at usurious interest.

Why am I warranted in saying these disasters to our business in the latter part of 1861 were due to our false system of finance, and not a result of the war?

Here again I call you as witnesses. From the hour of the issue of the legal tender notes, and the throwing overboard by the nation of the money based on specie, business everywhere sprang into most active life; commerce revived, notwithstanding the fear of the Sumpters and cruisers of the enemy; property advanced in value; houses and stores were rented; workmen were employed so profitably that soon it required enormous bounties to draw them from their money making occupations into the army; and for ten years from that date there were no financial revulsions, nor business panics in the country, but on the contrary that period was a time of universal prosperity and productiveness of values in all departments of industry, which has had no parallel in the history of the country. Statistics will show that this country never advanced in wealth to so great an amount within any ten years, and there was never any like period of time during the hun-

dred years of its life when the country was so free from business panics and revulsions. Yet while thus prosperous, for over three years of that time our great war went on with still increasing and more gigantic proportions. Now, which was it, the war that caused the stagnation of business in 1861, or our "honest money" financial system?

I am quite conscious that the endeavor to answer this will be that this prosperity was the inflation of values, by rise of prices. Not so; wheat was raised to feed the hungry; pork was fattened to sustain the army; cloth was made to cover the naked and uniform our soldiers; houses were built to shelter the workmen; rents were paid so that the landlord could spend his summer at Saratoga, or buy a substitute soldier for his son and save his precious life. Was that inflation in prices? Ships were built and sailed; manufactories and work shops were run at double speed; the workmen well paid and well fed, and children sent to school to be taught their duties as citizens. Was that a fictitious value? Immigrants poured into the country almost by the millions notwithstanding the fear of conscription, each of whom was a producer of almost priceless benefit to our unoccupied lands. Railroads were built by the thousand miles, spanning the continent; debts were paid, mortgages were cancelled; a system of cash payments established, instead of long credits, which too often are ruin to both buyer and seller.

All these were an actual increase of wealth of the nation which no change in the finances or values can ever take away from the country, although it may be taken from the men who earned it, and given to the capitalist, the mortgagee and the banker, making the "rich richer and the poor poorer," but the aggregate of wealth is here to remain as an accession forever.

Nor was there any check to this prosperity of the country until administrative and legislative attempts were made to compel a return to a vicious system of supposed specie payments and so called "honest money" which so miserably failed us at the first of the war.

"Specie payments" indeed! "Honest money" forsooth! Does not every man know there never was, and never will be any such thing as specie payment? That specie will never be paid when called for in any considerable sums in redemption of bank notes, but the banks will always suspend as they always have done, and refuse to pay specie? Is it "honest money" which every one who issues it knows never has been, and never can be paid in specie?

Why, we have \$750,000,000 of currency, for every dollar of which the Government is responsible either as promisor, or as guarantor. Now, all authorities agree that there is only about \$1,500,000,000 of gold in circulation in the world. How can we get half of it here to redeem our circulation? And if we could, as we have less than \$7,000,000 in the Treasury only unpledged to-day, less than a hundredth part enough to redeem our circulation, when shall we get enough?

Speaking of the Augurs, those wise Soothsayers of Rome, government officials who claimed to foretell future events by looking at the flight of birds and the entrails of beasts, Cicero said "that he did not see how two Augurs could look one another in the face when they met without laughing at their mutual false pretences." How can two Bullionists say to each other "the country must return to specie payments," without at least a broad grin?

When at last by the votes of sixty odd bank presidents and directors in the Congress of the United States, an act has been forced upon the country that we shall return to specie payments on the first day of January, 1879, apprehension of the result of this most disastrous measure brings about the same state of business depression; the same stoppage in production; the same idle ships; unfreighted coasters; unoccupied stores; foreclosing mortgages, and depreciating real estate that we had in the winter of 1861 and 1862, when the "honest money" failed us, and the banks suspended specie payments, and instead of paying it out, carefully hoarded their gold until they could buy the bonds of the Government at the greatest possible depreciation.

Am I not warranted therefore in saying that the financial and business crisis of 1861-62 was not caused by the war, when we have the same state of things now, only in a greatly worse degree in the profoundest peace; when there are neither "wars nor rumors of wars," except that some of us believe there ought to be a war with Spain and Mexico, to execute the traditional policy of our country that there should be no unwilling dependencies of a foreign crown on the American continent; to punish wrong and outrage, to save the wounded honor of the country, and redress the grievances of our injured citizens.

I have recalled to your minds the beneficial effect on the country and its prosperity of the issue of the United States legal tender notes, in 1862, to which the people have given the pet name of "greenback," after gold and silver had fled and hidden themselves from the currency, to take their place as merchandise, where I think they solely belong, with the other productions of the earth.

I have also brought before you the results that have followed the partial and threatened retirement of the greenback, which now paralyzes our business prosperity, in the endeavor to bring back the finances to an illusory currency, based on supposed gold and silver, as a measure of our values.

Failure to the merchant; ruin to the manufacturer; starvation to the workman, and disaster to the whole, follows "specie payment," and "honest money," so called perhaps, as the boys in the army a ways nicknamed their chaplain, if he was a drinking, gambling parson, "Holy Jo." Peace, prosperity, plenty, employment and comfort resulted from the greenbacks.

With these facts and events and consequences that I have thus but partly sketched, happening within the memory of the youngest of us, would it not seem to be almost judicial blindness not to recognize the causes of these distresses on the one hand and not to apply the remedy on the other.

Yet the experiment of the beneficial action of the legal tender note, based on the credit of the government, receivable for all its taxes, used in all its dealings with the people, and redeemable in an interest bearing bond, has been but very partially tried, because in 1862, when greenbacks were made fundable into a five-twenty bond, the interest was made payable in gold, and the major portion of the taxes were pledged to be collected in gold, to meet that interest. The government therefore refused to receive its own legal tender money in the payment of the largest part of its demands on its own people. In other words, at the suggestion of the banker the government repudiated its own notes in

order that if he invested in its bonds he should be paid his interest at six per cent. in gold, although the effect of such repudiation was that the legal tender notes were depreciated more than one hundred per cent. and with it the banker bought up the bonds at a little more than one-third of their par value, and then elected himself to Congress, and voted that the bonds so purchased should be paid at their par value in gold. More than this; when he did buy the bonds at from thirty to forty cents on the dollar, he was permitted by the National Banking Act, to pledge them to the government at ninety cents on the dollar, and the government endorsed his notes for that amount, and empowered him to circulate them as money and at the same time paid him six per cent. interest on the face of the bond, or sixty per cent. interest on the amount of money actually left in the Treasury by the banker, if he paid the face for his bond in greenbacks, and one hundred and eighty (180) per cent. interest on his gold, which he had hoarded in his vaults when his country needed it, if as many did, he bought his bond for thirty cents in gold.

Is it not wonderful that the greenback did the good service it has done in the war, and since, under such a financial system as that?

We have seen the aid given by the greenback, the "inconventible note," the "failed paper," the "rag money" as named by Bullionists, to save the country in the war, and give it prosperity in peace.

On the other hand I assert that every attempt to carry on the business of a highly commercial and manufacturing nation by the use of a currency based upon gold and silver, has always been, and must always be fruitful in financial disaster, ruinous alike to the laborer and business man, who uses his money in productive industries or commerce, and useful only to invested capital.

Now for the proof:

In order to give the Bullionists every advantage of the argument that may be derived from the experience of any country, let us examine curiously as I must, the financial history of England by facts now of record. Let us premise, however, what we all know, that in our own country from 1832 up to 1862, during which period we had the hard money system, so called, (i. e.) currency based on gold as legal tenders, that our business had financial convulsions once in six years, each of which depreciated values, ruined our business men, bankrupted our merchants, and brought idleness, hunger and cold upon unnumbered thousands of workmen and women; three of these monetary crises, to wit, those of 1837, '57 and '61 are the most notable and terrible examples of the effect of a currency based on specie, and warnings against the hollowness and illusiveness of all such financial systems.

England has always had a currency based on specie, and is pointed to by the bullionists as the bright exemplar of the benefits of hard money and specie payments. I am also impelled to trace the financial history of this shining Exemplar, because I observed a few days since in an argument in favor of "honest money," the Bank of England was described as "that wonderful example of marvellous financial strength and credit."

In 1797, in her war with Napoleon, England found that the bank paper upon a specie basis, was as rotten a dependency for her to rely upon for financial support as we found the same system to be, in our

civil war in 1861-62. In England then, as in our war, gold went out of sight, and was hoarded; manufactures were stopped; merchants were ruined, and money became impossible to be obtained; general bankruptcy and ruin threatened both the people and Government of Great Britain, when on Sunday morning, the 23d of February, 1797, the King himself in Council ordered the suspension of specie payments, which suspension was to last until the 15th of June, 1815, but did in fact last until 1823; and although the gigantic wars of Napoleon shook all Europe, in which England subsidized and paid the armies of all her allies with her gold, still, whether the allied armies were in disaster or in triumph, no financial revulsion, business panics or disasters fell upon her people during those eighteen years of most destructive and terrible war, but to the contrary, during that time, upon inconvertible promise to pay, England built up her iron, cotton, and woolen interests, and laid the foundation of her wonderful and unequalled manufacturing prosperity; established and fostered her colonies; extended her commerce all over the world; maintained a gigantic navy whose guns protected her subjects in every land, and gave her the naval triumphs of the Nile and Trafalgar, which made her mistress of the seas. All this was done with her legal tender notes, "inconvertible paper," "rag money," "broken promises" to pay "failed paper." Nay, more, upon that there was an act of Parliament stopping its payment. During those eighteen years of "rag money," the Bank of England was indeed "an example of marvellous financial strength and credit."

How like is all this to our own experience of the use of inconvertible paper in our own war of the rebellion. But the parallel does not stop here.

When by the capture of Napoleon the war ended, the Bank of England, as we are now doing, began preparations for a return to specie payments. Then, again, ensued business disasters, a fall of prices, a shrinkage of values, an overthrow of credit, prostration of trade and business, which brought ruin upon all the business, producing, and working people of England, so that peace which it was hoped would come laden with all blessings, bringing with her the Horn of Plenty to shower its wealth upon all classes, came in reverse freighted with curses, with disasters and losses to all, and ruin, financial and personal to many thousands all over England. Working people, agricultural and manufacturing, were thrown out of employment, subjected to starvation; bread riots were frequent; the soldiers had to be brought out to suppress the tumultuous and dangerous assemblies and disturbances of the workmen. Crime increased and the suspension of the Habeas Corpus became necessary to the stability of the throne itself.

When the agriculturists of England, in this hour of dire distress, petitioned the Prime Minister for measures of relief, he coolly told them that "over production was the only cause of the low price of corn, and if they desired good times they must raise less bread-stuff," although at the very time the starving laborers of England were being exported to the colonies and this country, because they could not find food at home. And when some of the manufacturers of Manchester and Birmingham waited upon him with a statement of grievances, and demanded a change of policy, Lord Liverpool also informed them that

"over-production was the cause of all the business depressions and failures; that they have made too many goods"; that they had overstocked the markets of the world, and that shutting down their mills and turning out their operatives, and waiting until their stock of goods were used up, was the only panacea for the ills which the mill owners were suffering. How curiously all this sounds now to us who know the fact that Manchester and Birmingham, up to that time had produced less than one-eighth of either the iron or cloth that they have since done in times of the greatest prosperity.

One hearing these declarations of the noble Lord would think he was listening to the arguments of a contractionist from Connecticut, before the Board of Trade of New York, in favor of a return to specie payments and hard money. *Over-production*, indeed! *Under-consumption*, rather, is the trouble. How can men and women consume productions which they cannot pay for or get. More than a million and a half of men and women have been now nearly two years out of employment, without purchasing means or power of consumption beyond what will keep body and soul together. A number greater than the Federal army during the war, to feed and clothe, which was claimed to have consumed the surplus grain, beef, pork, and clothing of the whole country, and raised the price of all such articles.

England, in spite of the views of Lord Liverpool, as a means of relief, however, was obliged to put off the return to specie payments until 1819. This measure instantly caused a revival of business, because it was supposed that the return to specie payments was to be indefinitely postponed.

But in 1819, Peel's bill was passed providing for the gradual resumption of specie payments and the full resumption in the year 1823. Immediately after the passage of this act, prices again fell, large numbers of workmen were again out of employment, business of all kinds again became stagnant, tramps abounded, manufacturing nearly ceased, agricultural products fell equally with other commodities, and those who had purchased lands and given mortgages, found that the mortgages were eating up the land.

Do not mistake, I am speaking of the condition of England in 1823, and not the condition of New York in the United States, in 1875, yet the description is applicable, and like as like causes produce like effects. Although the bill had passed through Parliament without a dissenting voice, one man who was against it having been asked to retire, so that the vote might be unanimous, yet in 1823, Lord Castlereagh was compelled by the distresses of the country to bring into Parliament five money bills in a single night, one of them extending the circulation of the one pound notes until 1833, or in other words each and all were measures of "inflation." Two years later, the Bank of England began to reduce its circulation, or in other words, "contraction" of the currency. This, in 1825, was followed by a destruction of values, a ruin of merchants, an overthrowing of all enterprise, with a loss of production as great as if fire had swept over half the land. Seventy banks failed, nearly two-thirds of her merchants and manufacturers stopped payment, followed by the usual disaster and starvation to the workman and his family.

Application was made to the Government for relief. What power can change all this at once? An act of Parliament? The rain of Manna from heaven by divine interposition? Neither came. But what seemed to the men of that day equally miraculous; a large package of one pound notes was found in a lumber room where they had been accidentally stored, instead of being destroyed as ordered. These were issued by the bank as money, in other words there was an inflation of the currency, and the worse than leprosy plague was instantly stayed. Soon afterwards the Government came to the relief of the Bank of England, by making its notes a legal tender, but yet redeemable in gold.

In 1837, the Bank of England suspended again, another crash came, which involved this country also. And why? Because in 1832, to encourage the production of gold in the mines of the South, Congress raised the rate of gold, as compared with silver, to sixteen to one, and demonetized our silver by restricting it as a legal tender for small sums only. Gold having thus become the basis of our currency, in 1837 when the Bank of England was pressed for the gold, she called it away from us, causing our banks to suspend specie payments. The "honest money" of the banks therefore changed itself into post notes and broken promises to pay, but even these, unsound as they were, were some relief. Gold and silver coin for small change, even, disappeared, so that shin-plasters, as they were derisively called, were issued by barbers and drinking saloons, which were better, however, than the bank notes as they were legal tenders to those who issued them, redeemable in drinks and shaves. Business, trade, and production were not depressed because of this demand of the Bank of England upon us. *It was all simply stopped*, and for three years we fully appreciated in all their beauties the unmitigated benefits which periodically occur to those nations which are blessed with a currency on a gold basis.

I need not sketch to this assembly, because it is in the memory of all those of middle age and past, the distresses of that period, and I hope it may not be out of place to call to the attention of the politician the results of the Presidential election of 1840, when the Democratic party seemed to be swept out of existence, saving but five States, so that, as the campaign song ran, "Van (Buren) Van, was a used up man," and the people went to the polls carrying banners bearing the motto, "For the laborer two dollars a day and roast beef;" and singing "we go for Tyler therefore, without a why or a wherefore."

In England, the losses by all classes of the people were so enormous, and the distress and ruin so great that Parliament at its next session took measures to reorganize the bank, so that no such revolutions in business might ever return.

They put the issue department of the bank on a specie basis; that is, the bank was allowed to issue no more notes for circulation than it had specie in the vaults, except a certain number which might be issued on exchange bills, being less than the experience of all the panics had shown would be called for in time of financial depression.

The Parliamentary investigations into the condition and conduct of the bank were long and laborious; the discussions as to the method of relief were able and exhaustive; the bill for reorganization was care-

fully drawn, and now at last one might hope, as far as human forethought and care could frame a financial system, one had been planned for England, which was a panacea for all evils, and which could control its business so that hereafter there need be neither prostrations of credit; nor ruin to commerce or manufacture.

The theory adopted to accomplish all this was that there always should be gold enough in the bank to redeem the circulation, which was the legal tender or unit of value, so that the currency was always to be gold in fact and therefore unchangeable as to value. The fault in this theory was that it assumed that the value of gold would for any time remain unchangeable.

When the bank went into practical operation under its charter, it was at once found, so far from the gold in the bank being unchangeable in value, it changed, day by day, with the call for it abroad, and required a corresponding change of the rate of discount of the Bank to its customers to keep its gold in its vaults; so that in fact the only unchangeability in the value of the gold was secured by a *changeable* rate of discount to its customers. These changes came so frequently, and were so extensive that business fluctuations, depressions and panics were consequent upon each, to which those we have been considering were but as gentle summer showers in comparison with the storms of winter.

Let me state these fluctuations of discount and their results in the fewest possible words:

Between the 7th of September, 1844, the date of the Bank Act, and February 4, 1858, the bank altered her rate of discount *fifty-six* times, raising it from time to time from two to ten per cent, thus quintupling her price for money with concomitant destruction to all the manufacturing and mercantile interests of the country, causing widespread ruin and devastation, which must have ended in general bankruptcy save that as early as October 23, 1847, three years after the reorganization of the bank, she suspended specie payments and issued an inconvertible paper which afforded instant relief to the business and people of England.

November 9, 1857, the Bank of England again suspended specie payments after having ruined the merchants and business of all England in her attempt to sustain herself, and drawing the gold from this country for the same purpose to such an extent as to cause a suspension of specie payments here with ruin to nearly all the mercantile houses, manufacturers and bankers of this country. Her efforts to save herself from suspension, and to retain her gold, were so energetic and persistent that between April, 1857, and January, 1858, she made *eleven* changes in her rate of discount, and in the year 1858, to retain her specie in her vaults, she changed her rate of interest *five* times in *five* weeks. Still again, in November, 1866, in consequence of the war on the Continent of Europe, the Bank of England, after the usual but ineffectual struggle to maintain her gold in her vaults by quadrupling her rates of discount, suspended specie payments. This failure of the Bank of England did not affect the business or finances of the United States, because our currency in 1866 was the greenback, and gold now was merchandise, and we were no longer the money slaves of the Bank of England or our business at her mercy. Indeed we saw without a ripple upon our affairs, forty-six millions of our specie

production sold in England at high prices for the use of the Bank of England, with the same complacency we should have looked on the exportation of so much wheat.

That we were, when our currency was based, in common with all other nations having a currency on a specie basis, at the mercy of the London market for gold and controlled by the Bank of England, I have the most conclusive proof in a letter written by Mr. LATHAM, a director of that bank, published with commendation in the *New York Times* of Friday last, from which I extract the following: "It [the sovereign] is the measure, the radix, not only of transactions of the butcher and the grocer with his customer, but of the transactions, antecedent and to come of foreign Governments with their creditors, who have all ways refused to be talked to, in dollars or francs. They say, 'No, you must express your bonds and your coupons in pounds sterling, payable in London; then we know what we are about.' Thus, therefore, in relation to affairs abroad, may a people be said to be 'sent to Coventry' through the errors of its Government, and its undertakings in trade are made chargeable with a toll in London because that is the only place where a true measure of property and debts can be relied on. A source of profit, this to the London merchants and bankers—a source of pride, perhaps, to the British Legislature; yet it is no slight stigma on those Governments which compel their own subjects to submit to so unnecessary a TAX—and what else is it?"

Thus, three times within less than twenty years in this generation, each time in violation of law and without right, has the bank of England suspended, and acknowledged her bankruptcy! what a "marvel of financial strength and credit" she has been, to be sure! Well may the bullionists sing paeans to this destructionist of all values for their benefit. True, each time her failure was sanctioned by a healing act of Parliament because her illegal suspensions were necessary to save the credit of the Government itself and to prevent the widespread destruction of all values and the overthrow of commerce and manufactures which was then going on.

Neither of these suspensions took place until she had refused all discount to her customers, even on the best sixty day commercial bills secured by Government securities. It will be thus seen that gold was not the regulator of the currency of England, but the price paid for money at her bank, and having provided herself with a currency based on gold in order to retain that basis whenever it is wanted for foreign loans, or because of a foreign war, she is obliged to increase the value of her unit by changing the rate of discount, or the interest which her borrowers are obliged to pay for their money.

This is a very important matter to be borne in mind. Indeed it is the root of the whole matter, and in discussing questions of finance has been too often overlooked, because it shows that after all, a currency based on gold must have its value determined by the rate of interest paid for it, and not by the stability in value of gold itself. Because of this necessity of keeping gold in her vaults, the Bank of England could not maintain a steady and permanent rate of interest for money to which her business men could adjust their affairs. Hence come fluctuations of trade, financial depression, ruin of commerce, the stoppage of manufacture. Who can carry on business requiring credit, successfully and

without failure, when the rate of interest which he must pay for his accommodations and loans, alters day by day and quintuples in a month, and especially, when these changes come from causes that he can neither foresee, guard against, hinder or alleviate.

I challenge all the Bullionists of the country to show any disasters and losses in trade and commerce, traceable to inconvertible paper, continental money and all, which shall be equal in effect either as to sums, amounts, disasters or ruin to the business and people of a country, with these I have sketched coming from a currency called "honest money," based on gold in the vaults of a bank.

A currency as a unit of value, based on an exportable article of commerce used largely in the arts, that all the rest of the world wants, and when anybody wants it more than we do and will pay for it, goes abroad, must always be, as we have seen it always has been, fluctuating in value, and when the measure changes, all that is measured by it changes its value in a multiplied increasing ratio. Specially is this the case when the banks issuing this currency have control of all, or the larger part of the capital of the country; seeking investments in loans they must contract their credits to their business borrowers dependent on them, for a regular line of discounts for their supply of money in order to protect themselves from the calls, not only for their own capital, but also being themselves borrowers on call of the money of their depositors, which they loan on time, they are thus at all times themselves debtors instead of capitalists making loans. In this view is it wonderful that the expansion or contraction of a bank's currency however good, fluctuates all values?

Bad as the system is at best, control over the export of the basis of its currency can only be exercised when all the gold which is the basis of this system of currency, is held by a single institution, as in the case of the bank of England, which for many years has sought to make its currency stable by changing its rate of discount to the borrowers, with what destruction to the business of that empire we have already seen.

Having thus observed the action of a currency based on specie and issued by banks, upon the business affairs of a productive people, I submit that every candid man, in view of its disastrous results will agree with me that this is not the best system of finance, and that certainly it is not adapted to a country governed as ours is. Many who go with me up to this point will here pause, because they see nothing better or more stable to take the place of specie as a basis of currency, and they usually fall back upon the platitude that "gold is the money of the world."

The currency system which I proposed instead, is one not new to my thoughts or studies, having nearly seven years ago, after as careful an examination as I could give the whole subject, settled my convictions upon it. I propose an AMERICAN SYSTEM OF CURRENCY, adapted to the wants of our people and the condition of our own affairs, which fortunately renders it easy of adoption and execution.

But before I describe it, let me meet some arguments to the prejudice usually put forward by the bullionists, and lay down some few principles which I think are axiomatic in relation to currency. Their arguments, if they so ought to be called, generally take the form of

calling hard names, personal attack upon individuals, and ridicule (pote it weapons to shallow minds), and generally end as they begin, that "gold has always been, and therefore must always be the money of the world." This is not true in fact. Forty odd years ago we had nothing more to do with gold as a currency than the Fiji Islanders; and as I have already stated, up to within a single year, England was the only commercial nation having an exclusively gold standard of value, by which we have seen a director of her bank boast that she has been able to take "toll" of, and TAX all the monetary transactions of the world. America, since 1832, was also an exception, having a gold standard, but was thereby only made the more easy prey to England's tax and tolling.

But what does this claim of the bullionists that gold is the only material for money, because it always has been, assert? Simply, that while every other necessity, luxury or convenience of life or aid to production in the business of the world has been improved upon and changed for the better by the inventive genius of man, save only those natural products which need no adaptation to fit them for his wants, money, the great medium of exchange of values and engine of traffic between man and man has not been and cannot be improved. So, that, as it was in the time of Abraham, when the best locomotion and transportation was on the camel's back, and silver the only thing "current with the merchant," so it must be now in the days of the locomotive, the steamboat, and the telegraph. Upon this theory, the good gift of God to man of inventive genius fails only and utterly when applied to currency: it is a measure of value and medium of exchange of products for his use.

Again, in answer to a supposed hard name, which is applied to those who agree with me in my views, let me say, I AM NOT AN INFLATIONIST. Inflation as applied to currency must mean the issue of the same species of currency or another kind, of less value than that already issued. Then to "inflate" is not to issue more currency of the same value as that already issued. When applied to credit, inflation must mean asking more credit upon equal or less security. Now I hold that neither a man nor a government inflates credit by putting out his non-interest bearing notes in exchange for his own interest bearing notes or bonds, or changing his indebtedness from bonds or notes bearing a high rate of interest to bonds or notes bearing a low rate of interest. On the other hand, I should say that such a man or government was rather contracting than inflating debts.

Again, I do not desire the issuing of more non-interest bearing notes as currency than are now, or lately were in circulation, unless it shall be demonstrated experimentally by the imperative demands of trade or business hereafter, that more are needed after the system which I propose to present has been fully tried. Not by any means that I agree to the reiterated, parrot-like and stupidly false assertion, that there is too much money or currency now issued, because it is aggregated in the vaults of the bank and cannot be loaned even at a low rate of interest. The reason why there is a surplus of money in the banks is that nobody wants it for any business enterprise; nobody not absolutely compelled so to do, will begin new enterprises or continue production in old ones on depreciating values or a falling market;

money will be unemployed till better times shall come. One might as well say there are too many wagons in Canada in midwinter, because then none of them are used in the snow, and point to the fact that large numbers of them are stored idly in the barns or sheds to prove the truth of the assertion that there are too many.

What I desire is:

First—A dollar that shall have at all times a certain fixed and stable value below which it cannot go.

Second—I demand that that dollar shall be issued by the Government alone, in the exercise of its high prerogative and constitutional power, and that that power shall not be delegated to any corporation or individual, any more than Charles the Second ought to have delegated his prerogative of stamping gold coin at the instance of his paramours, as a monopoly.

Third—I want that dollar stamped upon some convenient and cheap material of the least possible intrinsic value, so that neither its wear or its destruction will be any loss to the Government issuing it.

Fourth—I also desire the dollar to be made of such material for the purpose that it shall never be exported or desirable to carry out of the country. Framing an American system of finance I do not propose to adapt it to the wants of any other nation and especially the Chinese, who are nearly one quarter of the world.

Fifth—I desire that the dollar so issued shall never be redeemed, I see no more reason why the unit of measure of value should be redeemed or redeemable, than that the yard stick with which I measure my cloth or the quart with which I measure my milk should be redeemed.

Sixth—For convenience only, I propose that the dollar so issued shall be quite equal to, or a little better, than the present value of the average gold dollar of the world, not to be changed or changeable, if the gold dollar grows lower in value or grows higher, or to be obliged to conform itself in value in any regard to the dollars of any other nation of the world, keeping itself always stable and fixed so that when all the property of the country adjusts itself to it as a measure of value it shall remain a fixed standard forever. But if it is ever changed it shall change equally and alike for the creditor and the debtor; not as the dollar based upon supposed gold whose changes always have given the creditor the advantage.

Now, I suppose it to be admitted that as all commercial nations use finely engraved paper for the larger transactions of exchange of products and buying and selling, it will not be denied that if the value of the paper dollar could be made certain, stable, fixed and intrinsic, it would be the cheapest, most convenient form and material for the purpose of transacting the minor dealings of a people with each other. Therefore I need go no further than our present greenback for all these desired qualities, including uniformity of value in all parts of the country, except in *fixed and intrinsic value*. If those two qualities can be added to the greenback, it completely fills the six requirements which I have above set forth, provided all thought of its redeemability in gold and silver to be taken away from it.

To give the greenback an intrinsic, fixed and permanent value therefore, I would make it fundable at all times, and in a sufficient number of places to make it convenient for the people, into a bond bearing an annual interest of three and sixty-five one hundredths per cent., payable semi-annually, which bond should be convertible at the pleasure of the holder by the United States, again into a greenback dollar, which ought to be made the legal tender of the United States for all debts due to or by the government or individuals. This convertibility into a bond at that rate of interest, and its capacity as a legal tender for all debts, public and private, would give it a fixed value which could never be less, being secured by the pledge of the faith and the property, the gold and silver and all other productions of the country for the payment of that interest. These bonds, into which the greenback is to be convertible, should be issued in sums of \$100, and the multiples thereof, up to \$10,000.

We have already seen that the British system is to fix the value of their currency by having it redeemable in gold, and then attempt to make a stable value for the gold by changing the rate of interest at which that currency can be procured. I propose exactly the converse of that; making the rate of interest fixed and stable, which our currency will always bring when used as an investment. This would give it an equable and certain value. A man having such greenback currency, is always sure that he can find it in the government bonds in such sums as may suit his convenience, as a permanent investment, at a fixed rate of interest; or, he can pay all debts with it to the Government or to individuals, or exchange it for other property at pleasure, being itself the measure of value to which all property will at once adapt itself.

In regard to its stability, its value cannot be changed except by act of the law-making power, in all its branches, and the faith of the Government being pledged as well to the individual debtor and creditor in the country as to its own debtors and creditors that that rate of interest shall be the measure of value, there is no more temptation to change it as a measure of value than there is temptation to change the measure of weight or length or cubic capacity. If it is objected that it will be in the power of the government by law to change the rate of interest; and consequently the value of greenbacks, to that I answer: It is in the power of the Government now to change the value of the gold and silver coin of the country at will; a power which they have exercised some six or seven times; and if the greenback dollar, in its value, lacks the element of *entire* unalterableness, it lacks that element in the same degree only as does the gold and silver of the country now and ever have done.

But the greenback has also another element of fixedness and stability which gold and silver never had. It cannot be drawn away from the people of this country or its value changed because the Government or people of some other country may want it more than we do, either as currency or merchandise, as always has been the case with gold and silver, when held as a basis of currency.

My proposition adopts a rate of interest—3.65 per cent.—because of these, which seem to me, controlling reasons.

First—In looking over the world, it will be found that the average investment of the gold dollar of the world in Government security will bring to the holder thereof only three per cent. Therefore, the proposed greenback dollar being always fundable at 3.65 per cent. interest will be equal at least to the gold dollar of the world whenever that gold dollar takes the form of accumulated capital for investment, and at the same time will pay every species of debt with equal certainty.

Another reason for taking this rate of interest which thus makes the greenback dollar of substantially the same value of the gold dollar is that in making any change in a financial system it is very desirable so to frame it as not to disarrange values as between the debtor and creditor, or as to property, as little as possible, as those values are now fixed and contracts made in supposed reference to the value of the gold dollar, it would be exceedingly convenient if not necessary that a rate of interest should be fixed which would bring the greenback substantially to the value of the gold dollar, as I have no doubt it would be if received for customs dues, and made fundable at this rate of interest.

Again the precise rate of 3-65 rather than 3-70 or 3-50 was taken because of convenience in calculation. Believing that these bonds themselves would largely circulate from hand to hand it would be exceedingly convenient to have a rate of interest easily calculated and adjusted, and as the interest on \$100, would be exactly one cent a day, no more convenient rate in that regard could be assumed.

Again, looking to this financial system as a permanently, it is desirable to fix a rate of interest not too low nor too high, by which the Government will become substantially a borrower of large sums of money from its citizens. Certainly the government should not pay a greater rate of interest than the average increase yearly in the produce of the property of the country. Turning to the statistics for a series of years it will be found, I think, that the average gain of all the productive property of the country is just about three per cent., and that should certainly determine the maximum rate of interest, which the Government ought to pay for its loans. If it pays more it is not relying upon the earnings, but trenching upon the capital of its people. And if the rate were fixed lower it might widen the difference between the gold dollar and the greenback, and thus derange values.

In the belief that this rate of interest is a fair one, both to the debtor and the creditor, it should be kept as low as this in order that the Government might not hereafter be a competitor in the money market, with the business of the country at a high rate of interest.

A high rate of interest has been the curse of the country for the last ten years, to go no further back; how can the business of the country afford to pay a rate of interest higher than the average productiveness of the property of the country? I do not believe that any permanent business, not speculative, can be carried on upon money borrowed at a rate exceeding six per cent; if it can pay so much. Yet the Government for fourteen years, has been the largest borrower in the country at a rate far exceeding six per cent. in currency, and almost averaging it in gold. When, therefore, the money lender gets from the Government on its bonds, which is the highest grade of security, from five to six per cent. for his money, no man can procure money for busi-

ness purposes unless he pays at least from two to three per cent. higher than that, and in practice, the rate of discount, at banks in this portion of the country, where money has been the cheapest for the last ten years, has exceeded on business paper, taking into consideration the faculty of compounding from three to six times a year by the banks, nine per cent.; and in other and agricultural portions of the country the rate has averaged from twelve to fifteen per cent.

No country can stand such a rate of interest. A system of finance which tolerates and sanctions, nay, almost demands it, will bring ruin and devastation to the country as our present system has nearly done. This is demonstrable by the simplest illustration: The national banks, take them together, and reckoning their surplus laid away added to their tax-paid dividends, I venture to say, in this presence, have averaged fifteen per cent. on their capital from their foundation. Now, if any one portion of the inhabitants of the country receives fifteen per cent. upon their productions annually, and the annual productiveness of the whole property of the country is only three per cent., as statistics will show it has been, how long it will take for the fifteen per cent. to absorb the whole property of the country is a matter easily reckoned, almost without slate and pencil. Indeed, it is one of the advantages which I claim for this proposed system of finance, that it would have a very great tendency to reduce the rate of interest.

Without, here and now, complaining of the rate of interest which the banks claim they have been obliged to charge for their money because of the taxes they have been obliged to pay to the Government, and for the other reasons which they allege, yet I submit to any candid man, if that rate is not by far too high, and that practical finance requires measures for its reduction.

You have doubtless observed that up to this point I have said nothing of the currency in which this 3-65 interest is to be paid; whether it should be paid in gold or in currency. Upon that I am indifferent. If it will relieve the system of the opposition of any one candid man or well-wisher of the country, I am content that the interest shall be paid in gold. I think it will be practically of no consequence, because I look for almost the immediate effect of its adoption to bring our greenbacks equal to the value of the gold dollar, which, I suppose is what is desired by all. For myself, I desire that the interest should be paid in currency, for I deem it to be important above all things, to do away the currency of our country in all its parts from gold and silver, and to relegate these metals to their appropriate place as part of the merchandise of the country, of which we produce yearly many millions, and export more in amount than of any other single production, and I am emboldened to believe that this proposed system, being in its nature and in its effect a permanency, will make the payment of the interest in currency more desirable than to be paid in gold; because I find the securities of the nation, which are to-day selling at the highest price, to be the currency six per cent. bonds issued on account of the Pacific Railroad, known in commerce as the "currency sixes," which are selling in the market at 124, while the gold bearing 5-20 bonds of the United States are selling for 119.

This fact alone answers all the flings and sneers with which the greenback is liberally besmeared by the Bullionists as a "depreciated

currency," as "failed paper," as "broken promises," when they themselves are buying bonds, payable, principal and interest, in this same currency at five per cent. higher rates than bonds of the same Government; payable, principal and interest in gold at the same rate, simply because the currency G's have a longer time to run; while, if the Bullionists were honest and sincere, and doubted the stability of the Government, or the value or worth of its currency, the very duration of time would be the most formidable objection to the investment.

I would have the bonds issued of two kinds; one payable to the order of the party receiving it, which should pass from hand to hand by the indorsement of each party as a guarantee of its genuineness; another for safety, in the form similar to the present registered bond when taken to be issued, simply as an investment. The latter should have the interest payable semi-annually; the former, only when the bond, which will show exactly its worth on its face by adding the number of days from the date of issue, is cancelled.

I would have the Government send back to the banks, as fast as they are paid into the Treasury, all bank notes, and return the bonds held as security for circulation, and substitute therefore their legal tender notes, issued in payment of the obligations of the Government, either paying or purchasing, as the case may be, those due at the highest rate of interest, thus leaving the banks to do a legitimate banking business of discounts and deposits, and by the severest penalties prohibiting every other person, corporation or institution from issuing anything that might appear in the semblance of money. This action would tend to preserve the greenback with all its acknowledged advantages as a currency it has now, and add to its perfect stability in value.

I have already sketched many, but by no means all the advantages of this system in developing it. Now let me answer, as well as I may, some of the objections which its opponents have made to it. The first is: nobody will take your bonds at this low rate of interest. Then, the experiment in so far will be a harmless one, and the other part of it, the substitution of legal tender for bank notes, certainly will be advantageous by making banks what they ought to be, and the Government do its duty in issuing its own currency, which duty ought never to have been delegated to others.

Not speaking now of the present abnormal state of the money market, because of the depression of business, when no man can doubt that the banks and capitalists would rush to invest their money in such Government bonds at 3-65, interest now loaned at one or two per cent. or lying idle. Yet, in ordinary times, all men who deposit in Trust Companies at four per cent. so as to have their money ready on call, for investment would much prefer it in a Government bond at 3-65, which would not fail them in their need as the Trust Companies generally do, causing panics and ruin. Is it not the fact that the great panics of 1857, and that of 1873, were begun by the failure of the Ohio Life and Trust Company in the first, and the Union Trust Company in the second; and in this connection, I bespeak it as one of the great advantages of this system, that it will destroy the practice of depositing of money on call in Trust Companies, where it lies at a low rate of interest, the Managers of those institutions proposing to make profit by loaning the money they borrow on call at a higher rate of interest on

time and securities which they cannot immediately realize. Who does not know that this practice of borrowing money for the purpose of loaning it again, is of the most potent disturber of our business, and is always the fruitful parent of panics and money fluctuations, as in the nature of things it must be when the borrowers become loaners of money, intensified by the fact that the money has been borrowed on call and loaned on time.

Again, every man that is accumulating money for the purpose of any enterprise would be very glad to have it where it would be drawing interest up to the moment of expenditure. Let me illustrate: I am about to send my agent into the west, to gather up among the farmers and producers, a million pounds of wool or bushels of wheat, choosing to deal with first hands. For the time, I prepare for my enterprise. I am now obliged to deposit my money in a bank in New York which will loan it at interest which it will take to itself; my agent will make a draft on Chicago which he deposits there, and then go on with my business of gathering up produce, and it may be weeks and months before he makes his payments, and in the meantime the banks are drawing interest on my money, and I am losing it; whereas, with those Government bonds in my agents pocket, I receive the interest of my money until the moment of expending it.

I do not conceal it from myself or you, but claim it as one of the advantages of the system, that these bonds, payable to order, would pass from hand to hand instead of money. I buy one hundred bushels of wheat of the farmer and I hand him the bond in payment. He takes it as money, because he can get the greenbacks for it, if he has a necessity for any smaller denominations at the nearest banker or depository; and besides, he on his bond, has his money also on interest from the moment of the sale of his produce and until he chooses to expend it. The farmer is desirous of buying a reaping machine. He hands his bond to the maker and he has his money also on interest from that hour, and so on until the bond comes into the hands of some party who desires to use the money in transactions requiring less than the face of the bond in payment.

Take another illustration: A man starts from New York for the purpose of embarking in an enterprise in Texas, or Arizona, or California. Now, he leaves his money on deposit in New York, to be loaned out by the bankers for their own benefit, while he spends weeks and months in his investigation of the enterprise before he executes the purchase, losing his interest all the time. But with these bonds in his pocket, he draws interest on his money until the moment of the expenditure, and then the receiver is not obliged to wait and lose his interest until he can get a transfer of his money from New York. In other words, with these bonds, every man will not be obliged to pay tribute to some bank of the amount of interest on his money, during the time that he is preparing for his investment.

It is not wonderful therefore that this financial system is opposed by the banker and money lender, because there are an average of actual deposits in the banks of the country of some \$400,000,000. When I speak of actual deposits, I do not mean those that are sometimes called deposits in a bank, to wit: where A has had his note discounted, and so much is carried to his credit in the bank, but I mean money naturally

deposited awaiting expenditure or investment in the course of the transactions of life. All these would seek the 3.65 bonds.

"Ah! says an other objector, 'then you will make the Government a great banking institution for deposits, and would swallow up all the money of the country.' Now, my objecting friend, you are on the other tack, as a sailor would say. If it should be so I don't deem it an objection. At least the deposits would be safe, which is what cannot always be said of them now, and if the Government issues such great amounts of the 3.65 bonds, then it would have the same average permanent deposit with it as is now made with the bankers which it could invest in its own six per cent. gold interest bearing bonds, as the banks have invested their capital, with this advantage, the Government would then be saving interest instead of paying it to the banks and getting the difference between 3.65 per cent. and six per cent.

But says another objector "would you have the Government keep on hand an immense amount of legal tenders so as to be able to redeem all these bonds at once?" Do the banks keep on hand more than fifteen per cent to redeem all their circulation, and is it not a known fact that the bank bills never come back for redemption? And why should these bonds ever come back for redemption any more than the higher rate of interest bonds now come back for redemption? They have to be called in and interest stopped before the Government can get them. Why would it not be the same in case of these 3-65 bonds? How was it with the compound interest notes? How was it with the three per cent. certificates?

"Yes," answers another objector, "these bonds would be hoarded as were the three per cent. certificates and the compound interest notes, and in former times the interest bearing Treasury notes of a Democratic administration, for it was a Democratic administration that first issued interest bearing Treasury notes." I think these bonds would be largely hoarded, and the effect would be that the money received would gradually cancel all our other bonds, and that is another of the beneficent features of this system—it would draw home our gold bearing interest bonds now abroad, because they would be more valuable here, and we should be saved from sending out of the country many millions to pay interest, a drain now largely sapping our resources. I trust they would be hoarded in large amounts, because in that hoard I see a security from panics.

Quoting again from the letter of Bank-of-England-director Latham, he says: "In any country, no matter where, if it is wished to retain coins of gold and silver at home, more dependence is to be placed on the hoards and pockets of the people, than on the coffers of the banks. Bankers will not have adequate reserves." So these bonds being hoarded as an investment would always be a reserve in case of panic.

Now, in case of a scarcity of money to be used for any purpose a man who has his money in Government bonds refuses to lend it, although tempted with never so high a rate of interest. His neighbor, whose note and security he knows to be perfectly good, calls on him for a loan, say for six months. But the Capitalist reasons in this way: "True, you offer me eight per cent.; I am getting five per cent only on my Government bonds; I know your security is good. I should

make the difference, but at the end of the six months when you repay, what am I to do with my money? Government bonds may have gone up two or three or five per cent., and I may have to pay to get back my bond more than I gained by the difference in interest. I do not choose to go into the transaction." But in the case of these bonds he can well and will say, "Here, take the bond; it will always be at par because convertible, and return it to me at the end of six months." A demand for money by a high rate of interest will call forth these bonds, the holder being assured always of having the same security returned to him if he is holding them as an investment.

Time will not permit me of course to go into the many, many reasons why these bonds would be taken as a supply to the wants of the business community.

Another benefit of this system would be that it would have a strong tendency to check speculation and over-trade. It is a remarkable feature in all countries and in all cases of business depression that a season of over-trade and speculation almost immediately succeeds a panic. The plethora of the money in the banks of the country in times like the present is no new thing. The same accumulation of money in the banks took place in the years following the panic of 1837, ready to be loaned at the same low rate of interest; so after the panic of 1857, as now. The same was true in England after the panics which I have before described. After an idle season for money, there comes a great call on the part of the money holders for its investment; apparently unwarned by experience they force it out on questionable security and the legitimate channels of trade and business production not then being re-opened, it goes into hazardous enterprises and speculative values, simply because the capitalist cannot invest his money at any rate of interest without so doing. But with these bonds always open to him at a rate of interest consistent with perfect security, he will be under no such impelling motive to allow his capital to be invested in a speculative adventure.

Another objector says: "Are you then willing that the Government should control our money affairs?" Well, I had much rather that the Government, immediately responsible to the people, should have control of the money affairs of the country than that they should be controlled by two thousand banks and wild cat bankers who are responsible to no one but themselves.

Again, says another objector: "With an amount equal to the national debt which you say may be invested in these bonds, and passing fact from hand to hand as circulation, would you not have a great inflation of values?" By no means, because all these bonds would be invested values, and not non-invested; and invested values never inflate prices. It is your non-invested values, bank notes seeking investment that inflate prices.

In the time permitted to me I cannot consider every objection, and follow out by statement here as I have in thought every contingency of detail in the workings of this system, but I humbly submit that I never have seen any objection stated to it during the seven years since I put it before the country to which I could not find what seemed to me to be an adequate complete and just answer.

At least, I claim the system is worth trying. The financial condition of the country cannot be worse than it is, any change must be

for the better, and, if the experience of forty years in studying the movements of popular thought, does not mislead me entirely, the people will so determine.

Here let me pause. Permit me a word personal to myself, although such considerations should never cloud the discussion of grave questions, to be determined by argument and philosophic thought only. But to the cry of demagoguery, so liberally dealt out to those who agree with me and especially upon myself, let me reply once for all. Seven years ago, in accordance with my convictions, I wrought out for myself, and offered in Congress the financial plan I have here presented with not a single change from its original principles. It was not popular then, because unknown. I do not know that it is now, certainly not in my own State, so far as expressions of political conventions and newspapers may be taken as an index. I have received political persecution, and sometimes social ostracism, because of these views, ever since. What motive could I then have had except the prosperity, power and glory of my country, in behalf of which I have endeavored to do all that I might do in the front, while my detractors "staid in the rear with the bums and cutlers." Demagogues are those who seek to ride into power on a popular cry, or by pandering to popular prejudices. The statesman seeks to remedy hurtful errors in the Government of his country, and instruct the popular mind in regard to them to see the right, as it is given to him to see the right, regardless of loss of place or power. By that standard I am ready to have all my acts tried in the candid judgment of just men.

Thus far in the advocacy of this system I have relied only upon argument and precedent. I have brought forward none of the opinions of the great and good men who have come to the same conclusion that the currency of this country should be a non-exportable currency, based on the credit of the Government. But such are not wanting. I have no time to quote such opinions in detail, but simply to indicate where such opinions may be found.

Jefferson, the father of Democracy, gives his unqualifiedly "that Treasury notes secured by pledges of the faith and credit of the Government, with or without interest, will make a better currency than gold and silver.

Franklin early gave his opinion to the same effect, and his was the best financial mind of his generation, and himself the best political economist. Issued a currency constitutional one? John C. Calhoun, and who was a stricter constructionist of the constitution, declared himself of that opinion.

But the constitutionality of such a currency is now beyond argument. It has been solemnly decided after a double consideration by the Supreme Court of the United States, a question never to be mooted hereafter.

It has been claimed by some unthinking members of the bar that the issue of legal tender notes as money was only constitutional because it was the exercise of a *war power* by Congress. Congress has no war powers in such sense of the term, whatever, although the executive may have. War may determine the necessity for the action, the power must be derived by Congress from the Constitution.

Nor is there opportunity here and now to show you as can be done, that the wonderful strides made by Germany in the last generation in

manufacturing and industrial wealth, as well as political power, is due very largely to the fact that her legal tender currency, was silver so debased that it was substantially inconvertible into gold, and therefore a non-exportable currency, and that the adoption by that Empire of the gold currency and the demonetising of silver has brought the business and productiveness of Germany nearly to the disastrous condition of our own. Nor can I stop to demonstrate, as I believe I can, as like causes produce like effects, that the legal tender of France being silver, her money was not drawn from her to the great money centre of England. She has had substantially a non-exportable currency and therefore has been able to maintain her legal tenders, which issued to almost double the amount of our own, at nearly if not quite par, with her specie currency under the terrible devastation of the armies, and still more deeply reaching levies of subsidies of Germany, and has made the wonderful recovery she has done. So that being considerable less in territory than one of our states, still during the last year she exported more in value of her products than we have our own.

The questions we have been considering are the most vital, because they affect the laboring and producing classes, the very life powers of the country on whom the loss of all the fluctuations and depressions of business at last must fall; because if labor, which is their capital and all they have, is unemployed, it is loss to them forever, and can never be replaced. The ship, the house and the railroad may depreciate because of financial depression, but upon the return of good times they rise again to their former value, but the value of a lost opportunity to labor is gone from the laborer forever, not to be regained; time never goes backward. "For is it not the peculiarity of labor," says an eminent economist "that it is the only commodity that perishes at the instant of production, and if not put to use is lost forever."

Therefore, at all risks and at all hazards, I stand here before you giving my most earnest convictions in favor of a non-exportable, inconvertible currency which shall have no relation of redeemability to gold or silver. I stand here for an American currency, such as belongs to our system of Government, a part of our free institutions where each man is the equal of every other man.

Finally I take leave most emphatically to repeat my words of seven years ago:

"I stand here, therefore, for inconvertible paper money, the greenback, which has fought our battles and saved our country; which has been sold by us as a just equivalent for the blood of our soldiers, the lives of our sons, the widowhood of our daughters, and the orphanage of their children.

I stand here for a currency by which the business transactions of forty million people are safely and successfully done, which, founded on the faith, the wealth, and property of the nation, is at once the exemplar and engine of its industry and power—that money which saved the country in war, and which has given it prosperity and happiness in peace. To it four million men owe their emancipation from slavery; to it labor is indebted for elevation from that thrall of degradation in which it has been enveloped for ages. I stand for that money, therefore, which is by far the better agent and instrument of exchange of an enlightened and free people than gold and silver, the money alike of the BARBARIAN and the DESPOT.

**END OF
TITLE**